



FIF/FIX Regulatory Reporting Requirements

MSRB and FINRA TRACE Reporting Extension

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Document History

Revision	Date	Author/Editor	Revision Comments
0.1	3/2/2015	Darren Wasney, Financial Information Forum	Initial Draft
0.2	1/4/2016	Mary Lou VonKaenel, Financial Information Forum	Revised to reflect changed requirements from FINRA and new requirements from MSRB.
0.3	1/21/2016 3/11/2016 3/16/2016	Jim Northey, GTC Co-chair FIX and CameronTec Group Rich Shriver – R. Shriver Associates LLC.	Specified FIX fields that should be used to indicate trading on ATS venue. Revisions to conform to standard FPL GA conventions. Documented the proposal and added/revised the message and data dictionary tables. Incorporated feedback from GTC.
0.4	3/25/2016	Jim Northey, GTC Co-chair FIX and Itivit AB Rich Shriver – R. Shriver Associates LLC MaryLou VonKaenel – Financial Information Forum	Added new requirements from joint FIF/FPL call 3/23/2016 and revised proposal to include a new field – RemunerationIndicator(TBD) and a new enumeration value for PartyRoleQualifier(452) = TBD (Exempt from Trade Reporting).
0.5	4/6/2016	Jim Northey, GTC Co-chair FIX and Itiviti AB Rich Shriver – R. Shriver Associates LLC MaryLou VonKaenel – Financial Information Forum	Incorporated all requirements into the Business Requirements Section.
<u>0.6</u>	<u>5/2/2016</u>	<u>Rich Shriver – R. Shriver Associates LLC</u>	<u>Added notes on the GTC Call conversation and subsequent decisions to retain the solution as originally proposed.</u>
	<u>5/10/2016</u>	<u>Rich Shriver – R. Shriver Associates LLC</u>	<u>Generated ASBUILT and added preassigned values for RemunerationIndicator(2356) and PartyRoleQualifier(452) = 17 (Exempt from Trade Reporting).</u>
	<u>7/28/16</u>	<u>GTC PMO</u>	<u>Corrected XML abbreviation for the term "remuneration" from "Rmn" to "Rmntn".</u>
	<u>7/30/2016</u>	<u>Rich Shriver – R. Shriver Associates LLC</u>	<u>Removed unused abbreviations left over from previous draft (Exemption and Claimed).</u>

1 Introduction

Both the Municipal Securities Rulemaking Board (MSRB) and the Financial Industry Regulatory Authority (FINRA) have recently proposed rule amendments that will require identification of trades executed on an Alternative Trading System (ATS) for purposes of trade reporting. The MSRB will require a simple indicator that a trade was executed on an ATS. FINRA will require the actual ATS MPID for TRACE reporting. Both requirements are now due to become effective July 18, 2016.

MSRB and FINRA have each provided the specifications for their trade reporting formats; however, Financial Information Forum (FIF) members wish to be consistent in the way they communicate this information between counterparties and the ATSs using FIX.

2 Business Requirements

The objective of this proposal is to identify best practices for identifying the ATS entity on the trade/execution message in support of both FINRA's TRACE reporting requirements, and an ATS indicator for MSRB reporting, when counterparties and ATSs are exchanging information using FIX. Following further discussions, the objective is expanded to include the capability to identify trade remuneration among market participants.

2.1 MSRB Requirements Summary

MSRB Regulatory Notice 2015-07 related to amendments to G-14 to become effective July 18, 2016 (formerly May 23, 2016), which establishes a New Indicator for ATS Transactions.

Dealers may use a variety of means to transact in municipal securities, including broker's brokers or ATSs as well as traditional direct transactions with a known counterparty. The MSRB currently identifies all transactions reported as having been executed by a broker's broker in the transaction information disseminated publicly. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades as having been executed through an ATS. To better ascertain the extent to which ATSs are used in the municipal market and to indicate to market participants on disseminated transaction information that an ATS was used, the amendments establish an additional new indicator. For those ATSs that take a principal position between a buyer and seller, the ATS and the dealers that transact with the ATS will be required to include the ATS indicator on trade reports. In instances where an ATS connects a buyer and seller but does not take a principal or agency position between those parties and therefore does not have a transaction reporting requirement under MSRB rules, the dealers that transact with each other as a result of using the services of the ATS will be required to include the ATS indicator on their trade reports. In all cases, the ATS indicator will be included on transaction information disseminated publicly. Identifying in disseminated transaction information that an ATS was employed should facilitate higher quality research and analysis of market structure by providing information about the extent to which ATSs are used and should complement the existing indicator disseminated for transactions involving a broker's broker.

MSRB Tech Specs: MSRB - <http://msrb.org/msrb1/RTRS/RTRS-Specifications-Effective-May-2016.pdf> see pages 75-78. Use of Special Handling Indicator Codes. Also see page 112, elimination of previous ATS Identifier.

FIF members wish to establish a consistent, standardized approach to communicating information via FIX in order to support the new reporting requirement.

2.2 FINRA TRACE Requirements Summary

FINRA to introduce a new field "ATS Execution MPID" on inbound and outbound trade reporting messages to identify if a trade was executed on an ATS platform, to become effective July 18, 2016, pursuant to an Exemption for certain ATS transactions from Rule 6730.

FINRA believes it is appropriate to propose a rule change to provide FINRA with authority to exempt trades on ATSs not otherwise falling within the exemption in Rule 6731 from the Rule 6730 trade reporting obligations. Pursuant to the proposed exemption, an ATS would not be required to report exempted transactions occurring on the ATS to TRACE, but rather, would be permitted to provide to FINRA on a monthly basis, or such other basis as prescribed by FINRA, data relating to each exempted trade occurring on the ATS. Each side of a trade for which an ATS is exempted from TRACE reporting pursuant to the proposal must be reported by a member (other than the ATS) that meets the definition of a "Party to a Transaction" identifying a contra-party (other than the ATS). The proposal would permit FINRA to exempt a member ATS from reporting trades where: (a) the trade is between FINRA members, (b) the trade does not pass through any ATS account; (c) the ATS does not exchange TRACE-Eligible Securities or funds on behalf of the subscribers or take either side of the trade for clearing or settlement purposes (including, but not limited to, at DTC or otherwise), or in any other way insert itself into the trade; and (d) the ATS has entered into a written agreement with each member that is a "Party to a Transaction" with respect to any trade for which the ATS is exempted under this Rule, specifying that trades must be reported by such party pursuant to Rule 6730(c)(13) identifying the trade as having occurred on the ATS (using the ATS's separate MPID obtained in compliance with Rule 6720(c))

FINRA believes that the proposed rule change will simplify compliance for member ATSs and other members. Specifically, where an ATS does not exchange TRACE-Eligible Securities or funds on behalf of the subscribers, take either side of the trade for clearing or settlement purposes (including, but not limited to, at DTC or otherwise), or in any other way insert itself into the trade, and where the trade does not pass through any ATS account, the proposal provides FINRA with authority to allow ATSs (and member subscribers) to streamline their trade reporting practices. In some cases, member subscribers trading on an ATS may prefer to program their back-end systems automatically to clear against the contra-party identified on TRACE trade reports. Thus, reporting against the contra-party member subscriber, rather than the ATS, would simplify clearance and settlement for such members. However, because, under FINRA rules, an ATS generally is deemed a party to each trade occurring through its system, Rule 6730 currently precludes member subscribers from reflecting a party other than the ATS on TRACE trade reports, even where the ATS has not inserted itself into the trade.

For example, today, where a member (BD 1) sells a TRACE-Eligible Security to another member (BD 2) through an ATS, Rule 6730 generally requires BD 1 to report a sale to the ATS and the ATS to report a buy from BD 1. The ATS also must report the corresponding sale to BD 2, and BD 2 must report its buy from the ATS. Pursuant to the proposed exemption, where granted, an ATS would not be required to report the transactions with BD 1 and BD 2 to TRACE. In addition, BD 1 would be required to report to TRACE a sale to BD 2, identifying the trade as having occurred on the ATS, and BD 2 would be required to report to TRACE a buy from BD 1, identifying the trade as having occurred on the ATS on its TRACE report.

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TRACE Specs: TRACE - <http://www.finra.org/sites/default/files/CA-trace-fix-specs-v1.3.pdf>. Using the FIX Custom Tag 22034 NoRemunerationIndicator and Custom Tag 22036 ATSExecutionMPID. See page 62 for example.

2.2.1 ATS Reporting Exemption

Identification of an exemption from regulatory reporting of individual trades by an ATS.

To support this need, it is proposed to add a new enumeration to the field PartyRoleQualifier(2376) = 17TBD (Exempt from Trade Reporting).

2.3 Trade Remuneration Indication

FIF members have expressed a need to indicate customer trades involving non-transaction based compensation arrangements (i.e. do not include a mark-up, mark-down or commission or no remuneration) in support of the new MSRB and FINRA TRACE Reporting requirements.

In SR-FINRA-2015-026 (http://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2016-003.pdf), FINRA proposed to amend Rule 6730 to require that firms use a “No-Remuneration” indicator to identify those transactions for which a commission or mark-up/mark-down is not reflected in a TRACE trade report. In its filing, FINRA represented that the implementation date of these amendments would be May 23, 2016. FINRA has since determined to extend the implementation date for this proposal to July 18, 2016 to provide members additional time to complete systems changes necessary to comply with SR-FINRA-2015-026.

Rule 6730 sets forth the requirements that apply to firms when reporting transactions in TRACE-eligible securities, and provides the specific items of information that must be included in a TRACE trade report. Among other things, Rules 6730(c) and (d) require that firms report the commission (total dollar amount) separately on the TRACE trade report for agency transactions. FINRA then combines the dollar amount that is reported as the commission with the amount that is reported in the price field, and disseminates to the market this aggregate amount as the transaction’s price. For principal transactions, Rule 6730(d)(1) provides that firms must report a price that includes the mark-up/mark-down, and FINRA disseminates this price to the market. In SR-FINRA-2015-026, FINRA proposed to amend Rule 6730 to require that firms use a “No-Remuneration” indicator to identify those transactions for which a commission or mark-up/mark-down is not reflected in a TRACE trade report.

The exemption for trades with no remuneration for TRACE are similar to those of MSRB.

While FINRA (and MSRB) has provided a mechanism for reporting instances where the reported transaction price does not include remuneration, the industry has requested a method to communicate that information in the transaction messages exchanged between counterparties. The counterparties themselves would be responsible for translating the FIX code to TRACE (or MSRB) reporting formats.

The proposal to address this new requirement is to add a new field RemunerationIndicator(2356TBD).

3 Issues and Discussion Points

The Gap Analysis document was reviewed during a joint FIF / FPL Conference Call on Wednesday, March 23. The results of this call included identification of additional requirements to support the MSRB and

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FINRA TRACE reporting requirements changes identified above including the ability to indicate trade remuneration and the ability to indicate ATS reporting exemptions.

As part of the GTC Review 4/21/2016, it was noted that PartyRoleQualifier(2376) is intended for static, reference data use and the solution for transactional level information (per trade) would require use of other fields (PartySubID(523) and PartySubIDType(803)). Subsequent discussions confirmed the requirement to indicate an ATS is exempt from regulatory reporting is indeed party reference data and the attribute would remain relatively static; at this time, the recommendation stands as proposed.

4 Proposed Message Flow

4.1 MSRB Reporting

To meet the MSRB requirement, it is proposed firms use the VenueType(1430) field in the TradeCaptureReport(35=AE) and ExecutionReport(35=8) messages with the value E (Electronic exchange) to indicate the trade was executed on an ATS. The VenueType(1430) field is proposed to be added to the ExecutionReport(35=8) message.

4.2 FINRA TRACE Reporting

To meet the FINRA TRACE requirement, it is proposed to use the existing Parties component block in ExecutionReport(35=8) and TradeCaptureReport(35=AE) messages with the PartyID(48) set to the MPID of the ATS, PartyIDSource(447) = C (Generally accepted market participant) and PartyRole(452) = 73 (Execution Venue). The field PartyRoleQualifier(2376) = ~~17TBD~~ (Exempt from Trade Reporting) is proposed to be used to indicate the ATS is exempt from regulatory reporting ~~for the trade~~.

Note for FIX 4.2 legacy specifications, it is suggested to use the MPID of the ATS in the LastMkt(30) field of the ExecutionReport(35=8) message.

4.3 Trade Remuneration Indication

To meet the need of firms to exchange remuneration information at the trade level, a new field, RemunerationIndicator(~~2356TBD~~), is proposed to be added to the FIX Specification. RemunerationIndicator(~~2356TBD~~) is proposed to be added to the TradeCaptureReport(35=AE) message within the TrdCapRptSideGrp component.

5 FIX Message Tables

5.1 ExecutionReport(35=8)

To be completed at the time of the proposal – all information provided will be stored in the repository	
Message Name	ExecutionReport
Message Abbreviated Name (for FIXML)	ExecRpt

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Category	SingleGeneralOrderHandling
Message Synopsis	The execution report message is used to: <ol style="list-style-type: none"> 1. confirm the receipt of an order 2. confirm changes to an existing order (i.e. accept cancel and replace requests) 3. relay order status information 4. relay fill information on working orders 5. relay fill information on tradeable or restricted tradeable quotes 6. reject orders 7. report post-trade fees calculations associated with a trade
Message Elaboration	
To be finalized by FPL Technical Office	
(MsgType(tag 35) Enumeration)	8
Repository Component ID	9

Tag	Field Name	Reqd	ICR	Action	FIX Spec Usage Comments
	<StandardHeader>	Y			MsgType = 8
	<ApplicationSequenceControl>	N			For use in drop copy applications. NOT FOR USE in transactional applications.
37	OrderID	Y			OrderID is required to be unique for each chain of orders.
2422	OrderRequestID	N			Required if provided on the order message. Echo back the value provided in the order message.
<...truncated...>					
30	LastMkt	N			If ExecType(150) = F (Trade), indicates the market where the trade was executed. If ExecType(150) = 0 (New), indicates the market where the order was routed.
1430	VenueType	N		ADD	
1300	MarketSegmentID	N			
<...truncated...>					
	<StandardTrailer>	Y			
</ExecRpt >					

6 FIX Component Blocks

6.1 TrdCapRptSideGrp

To be completed at the time of the proposal – all information provided will be included in the repository	
Component Name	TrdCapRptSideGrp
Component Abbreviated Name (for FIXML)	RptSide
Component Type	_X_ Block Repeating ___ Block
Category	TradeCapture
Action	CHANGE
Component Synopsis	
Component Elaboration	
To be finalized by FPL Technical Office	
Repository Component ID	[[2061]]

Component FIXML Abbreviation: <StrmRptSide>						
Tag	Field Name	Re q'd	ICR	Action	Mapping s and Usage Commen ts	Comments
552	NoSides	Y				
<...truncated...>						
→	943	TimeBracket	N			
→	2356 TBD	RemunerationIndicato r	N	NEW		
→	<CommissionData> component		N			
<...truncated...>						
</RptSide>						

7 Category Changes

None.

Appendix A - Data Dictionary

Tag	Field Name	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
1430	VenueType	CHANGE	char	<p>Identifies the type of venue where a trade was executed.</p> <p>Valid values: E = Electronic exchange P = Pit X = Ex-pit C = Clearinghouse R = Registered market O = Off market B = Central limit order book Q = Quote driven market D = Dark order book</p>	VenuTyp	Add field to ExecutionReport(35=8) message
2376	PartyRoleQualifier	Change	Int	<p>Used to further qualify the value of PartyRole(452).</p> <p>Add value to the parent field PartyDetailRoleQualifier(1674):</p> <p>For PartyRole(452) = <u>73 (Execution Venue)</u> E (Electronic exchange) 13 - Related exchange 14 - Options exchange 15 - Specified exchange</p>	Qual	

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Tag	Field Name	Action	Datatype	Description	FIXML Abbreviation	Add to / Deprecate from Message type or Component block
				<p>16 – Constituent exchange</p> <p>17FBD = Exempt from Trade Reporting</p> <p>[Elaboration: In the context of FINRA TRACE reporting requirements, this is used to indicate the ATS has been granted a regulatory exemption from reporting this transaction.]</p>		
2356 FBD	RemunerationIndicator	Add	int	<p>Indicates whether the trade price was adjusted for compensation (i.e. includes a mark-up, mark-down or commission) in the price paid.</p> <p>[Elaboration: In the context of MSRB and FINRA TRACE reporting requirements, this is used among firms to indicate trade remuneration.]</p> <p>Supported values: 0 = No remuneration paid 1 = Remuneration paid</p>	RmntnInd	Add field to TrdCapRptSideGrp component

Appendix B - Glossary Entries

Term	Definition	Field where used

Appendix C - Abbreviations

Term	Proposed Abbreviation	Proposed Messages, Components, Fields where used
Remuneration	Rm ntn	RemunerationIndicator
Exemption	Ex mptn	ExemptionClaimedIndicator
Claimed	Cl md	ExemptionClaimedIndicator

Appendix D - Usage Examples